



# Arizona State Retirement System

3300 North Central Avenue, Phoenix, AZ 85012

[WWW.AZASRS.GOV](http://WWW.AZASRS.GOV)

## **Special Notice** **Permanent Benefit Increase 2009**

Questions?

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*December 1, 2008*

The ASRS Board of Trustees at its November 21 meeting accepted annual actuarial valuations of the various plans administered by the ASRS for the fiscal year ending June 30, 2008.

At the end of the most recent 10-year period used to determine the availability of excess earnings for the purpose of funding additions to the Permanent Benefit Increase (PBI) for retired members, there were no excess earnings and, therefore, there are no funds for an addition to the PBI in fiscal year 2009-10, which begins next July 1.

Funds for a PBI are generated by excess earnings on the actuarial value of assets of the ASRS fund. Although the PBI helps mitigate inflation, it is not tied to the federal Cost of Living Index, but is rather defined in statute to be determined based upon the excess average returns. Using this method to provide additions to members' pension benefits protects the trust fund by not reducing assets due to down markets, which would otherwise cause upward pressure on contribution rates.

Retirees of the Defined Benefit Plan who have received PBI and EPBI increases in past years will continue to receive these in their pension check; there will simply not be a further increase for the coming fiscal year.

The ASRS uses a 10-year period to apply annual gains and losses on the total fund. This allows for a more stable funded status and contribution rate over time. Because losses from negative return years in the past, including a negative rate of return for fiscal year 2007-08, are being recognized, there have not been sufficient excess earnings to build up the PBI pool.

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